

SUMMARY OF BENEFITS
UNDER
THE HOTELS
ENCOURAGEMENT ACT

The Bahamas Investment Authority
Office of the Prime Minister
Cecil Wallace-Whitfield Centre
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Nassau, Bahamas

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THE BAHAMAS INVESTMENT AUTHORITY

The Bahamas Investment Authority (BIA), a unit of the Office of the Prime Minister, is the investor's "One-Stop Shop". The Authority "cuts the red tape and tolls out the red carpet" for investors with service that continues from the preliminary inquiry through the final implementation of the investment project. It assists with investment policy formulation, investment promotion, investment proposal review and analysis and post-approval monitoring and support. As the administrative arm of the National Economic Council (NEC), the BIA coordinates investment matters with all agencies of the Government, simplifying the process for the investor. The role of the Authority includes:

1. Administering the National Investment Policy of The Bahamas, which includes responding quickly to inquiries related to investing in The Bahamas, receiving and reviewing investment project proposals;
2. Providing assistance to international investors during the implementation of approved investment projects;
3. Arranging local and international investment promotions for investors interested in business opportunities in The Bahamas;
4. Co-ordination of investment matters with other agencies of Government;
5. Ensuring the effective administration of the range of incentives available under an Investment and Business Encouragement Legislation;

Any investor, Bahamian or non-Bahamian, seeking to invest in and/or establish a business in The Bahamas must submit a proposal to the Authority for consideration by the National Economic Council (NEC), if the proposal involves any of the following:

- o Non-Bahamian participants;
- o The use of foreign capital;
- o Application for Government concessions, particularly under the Hotels Encouragement Act, the Tariff Act and the Industries Encouragement Act;
- o Long lease and/or purchase of immovable property by foreign concerns; or
- o Transfer of shares to non-Bahamians

Investors should be guided by the National Investment Policy, copies of which are available at The Bahamas Investment Authority. Additional information can be obtained from: The Bahamas Investment Authority (Financial Services Secretariat), Office of the Prime Minister, P. O., Box CB-10980, Nassau, Bahamas. Phone: (242) 327-5970/4. Fax:(242) 327-5907.

Benefits Available to Investors

1. Customs Duty Exemption

Exemption from payment of customs duties in respect of all materials necessary for the construction, equipping and furnishing of a new hotel in order to allow the facility to open for business.

These concessions are also offered for the rehabilitating reequipping and extending of a hotel operation, or one that was not constructed under the Act.

2. Right to Import Construction Plant

The right to import the construction plant, including heavy duty machinery, free of duty on a Customs bond, with the obligation to re-export it by a given date.

3. Tax Exemptions

- A ten-year exemption from Real Property Tax with a minimum taxation per bedroom of \$20.00 beginning in the eleventh year until a twenty year period occurs from the date that the hotel opened.

- A twenty year exemption from direct taxation on hotel earnings.

4. Other

- The same restrictions, regulations or conditions which are applied to one hotel will be applied similarly to other hotels.

- All other matters regarding type of hotel and location must meet the requirements of the Government.

How To Obtain These Benefits

In order to obtain the benefits under this legislation an individual or company must apply to The Permanent Secretary, Office of The Prime Minister, P.O. Box CB-10980, Nassau, Bahamas.

Each application is considered on its own merit. It is necessary that an investor take the following steps in order to comply with specific requirements of the Act.

These need not be done in order; In fact it is recommended that they done simultaneously.

- 1). Apply to the Office of The Prime Minister to enter into an Agreement under the Act.
 - The project proposal should be in the form of a formal letter to the Ministry, addressed to the Permanent Secretary.
 - This letter will be considered as a proposal to enter into an agreement with the Government. It should be accompanied by the proposal for the new hotel indicating its current status. It should contain the item and costs of the entire project, itemizing those which are for the overall project, and those for which the investor expects customs exemption.
- 2). Submit plans to the Department of Physical Planning of the Ministry of Works to obtain an Approval in Principle.
- 3). Obtain a Building Permit
 - This must be obtained from the Ministry of Works which will review the plans and provide the permit once the plans meet their specifications. This procedure applies to new hotels as well as to rehabilitation or renovation of an operating hotel.
 - These plans will then be discussed by the Ministries of Works and Health. This allows the necessary inspections to take place at the appropriate times.

Special Considerations

Before submitting a formal application the following additional points should be noted:

In addition to submitting a written application, investor may wish to meet with the Permanent Secretary of the Office of The Prime Minister to discuss the project.

No application is granted automatic approval. This decision is made after joint consultations with other agencies of Government as well as with the Project Coordinating Committee.

An investor should take steps to plan well ahead of his target date for commencement of construction as the decision making process may be lengthy.

Any materials imported/purchased prior to the grant of the approval in principle will not be exempted from payment of customs duty. An understanding of this is critical as investors have often proceeded to advance a project without having obtained the necessary approval.

It is recommended that investors engage the services of a local lawyer to assist in the preparation of the legal documents which will be necessary for execution by the Government. A lawyer would also be useful in helping to communicate with the various government agencies on pertinent licenses.

The final decision on applications for the approval in principle is made by Cabinet. Then a formal legal Agreement is prepared and executed between the Government and the Investor.